

# The Outlook for Hawaii's Economy and Labor Market

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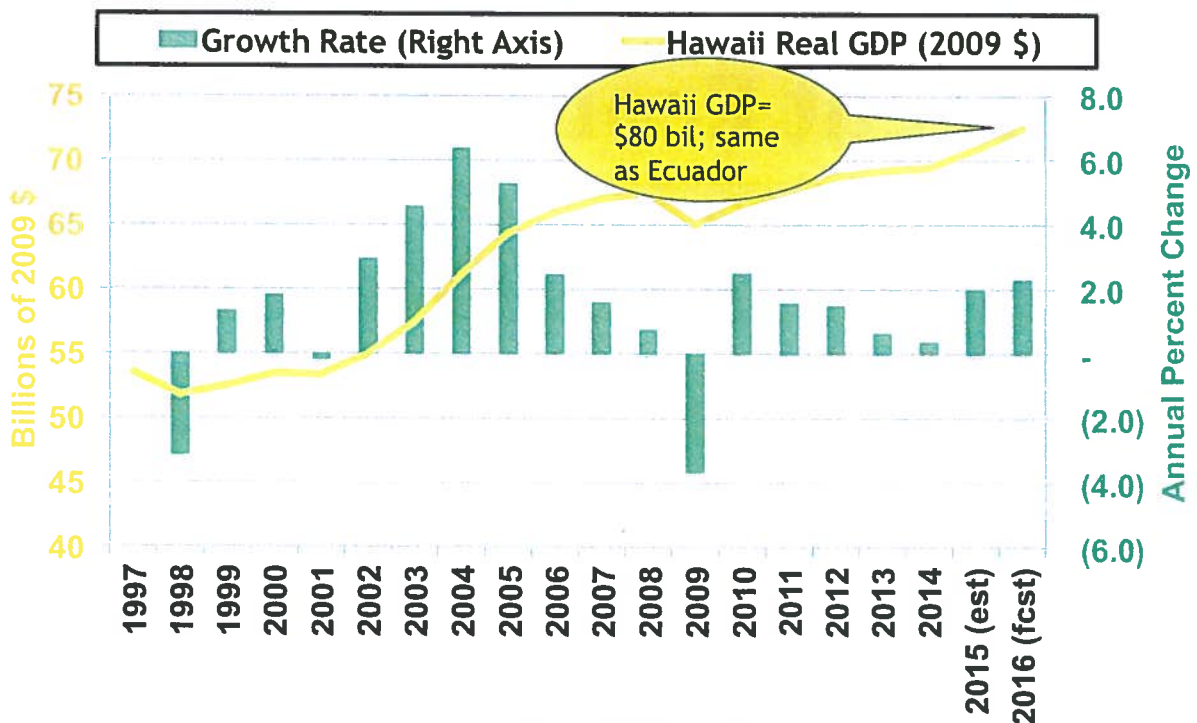
# Agenda

- **Current economic conditions**
  - Contributors to GDP
  - Labor market trends
- **Forecasts**
- **Features of the Hawaii labor market**
- **Things that concern me**
  - External
  - Internal

# Current Economic Conditions

# Hawaii GDP at Record High

Hawaii Real GDP and GDP Growth, 1997-2016

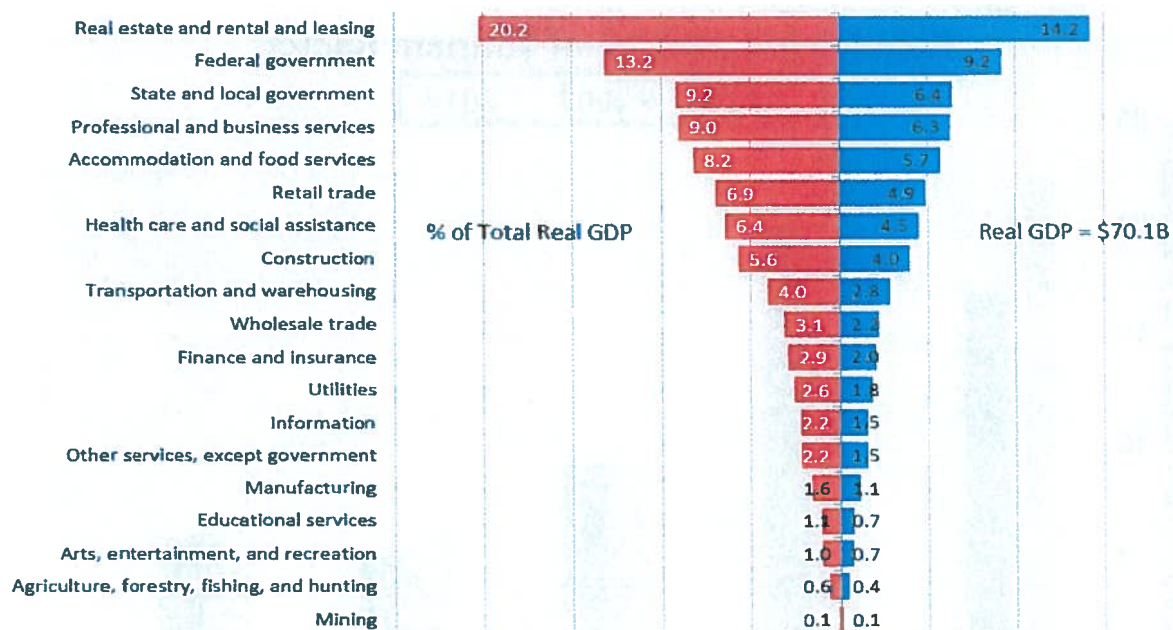


\* 2015, 2016 - estimates

Source: US Bureau of Economic Analysis and author's forecast

# Drivers of Hawaii's Economy

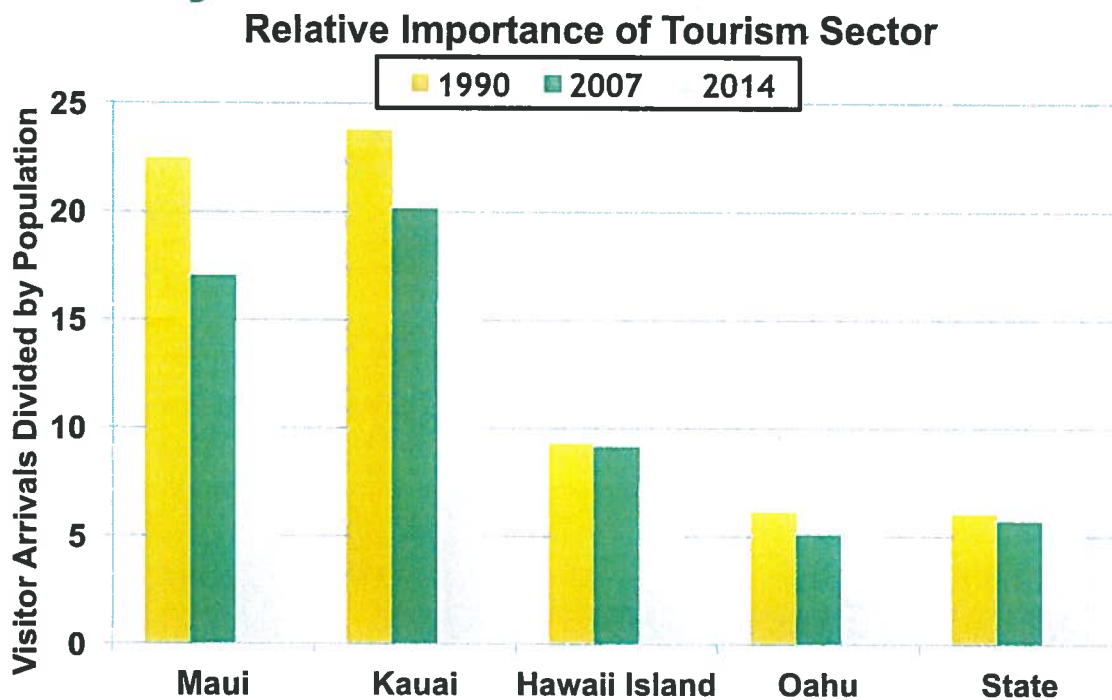
Hawaii Real GDP by Industry: 2013



Tourism consists of partial of other industries and contributed 16.8% of real GDP in 2013  
Source: U.S. Bureau of Economic Analysis

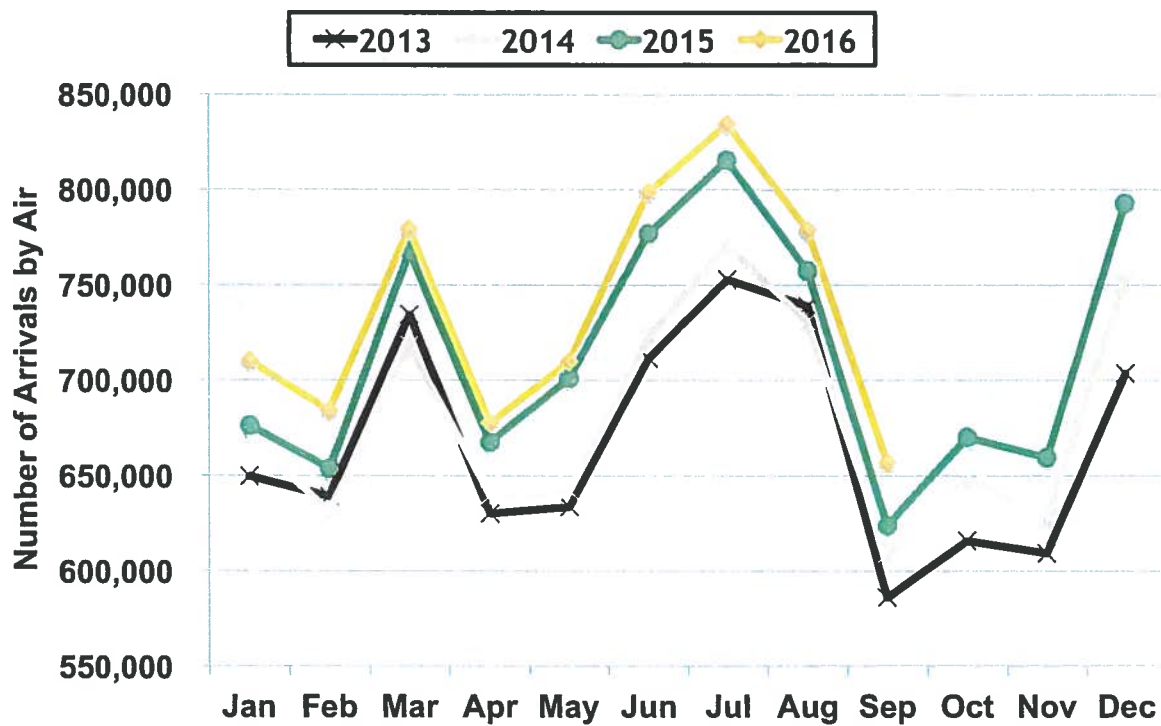


# Tourism Dependence Varies by County



Source: Author, using HTA and DBEDT data

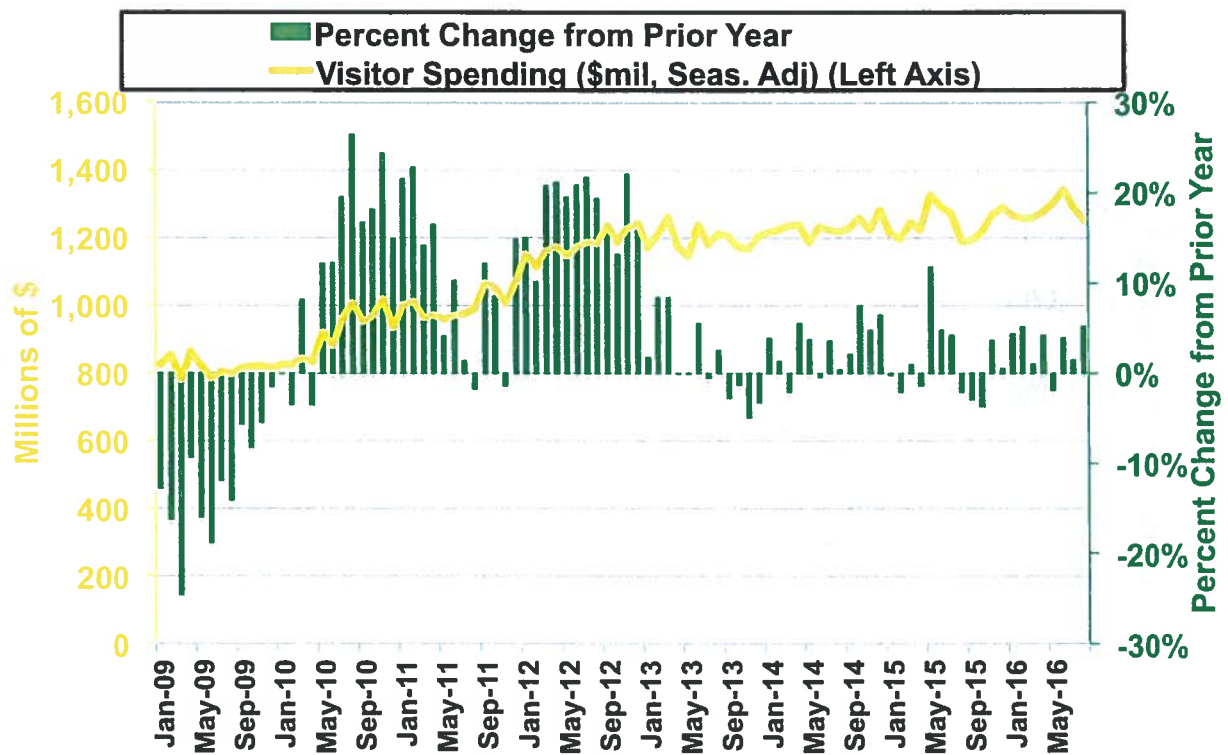
## Record State Visitor Arrivals 2016



Source: Hawaii Tourism Authority

# State Visitor Spending Increases

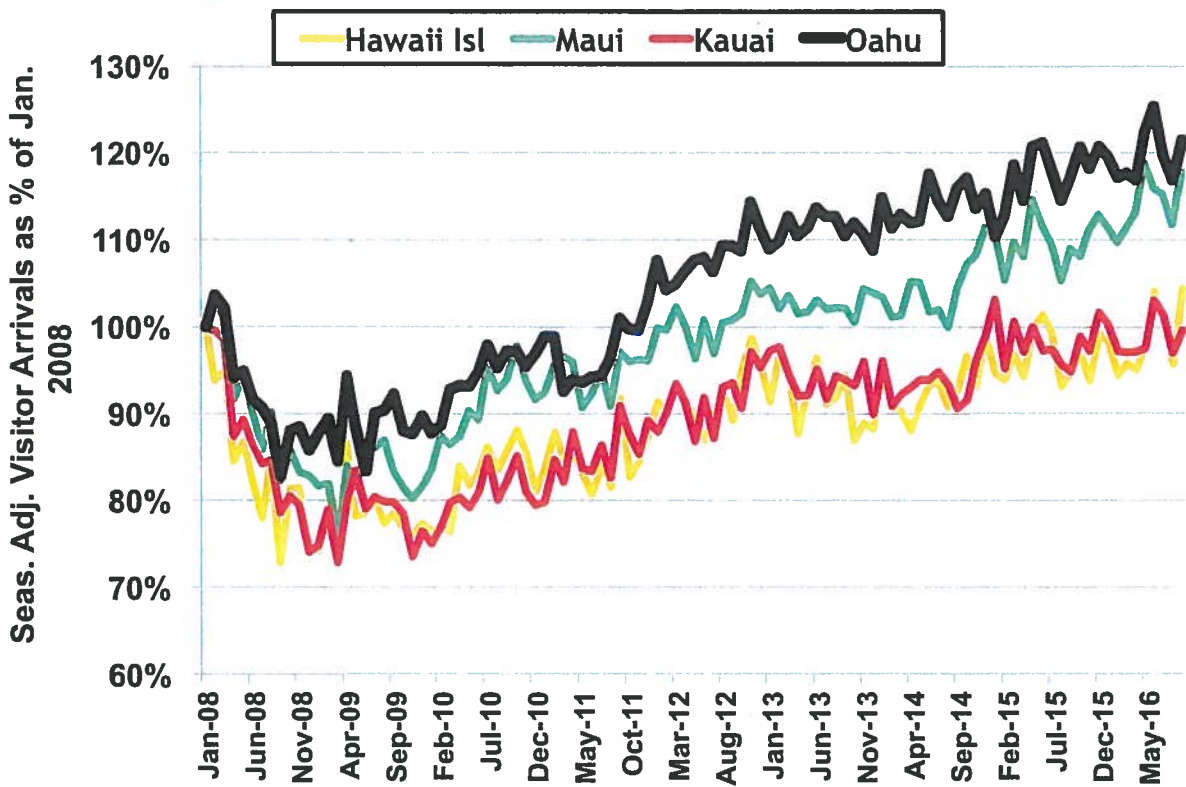
Monthly State Visitor Spending Patterns, 2009-2016



Source: Hawaii Tourism Authority

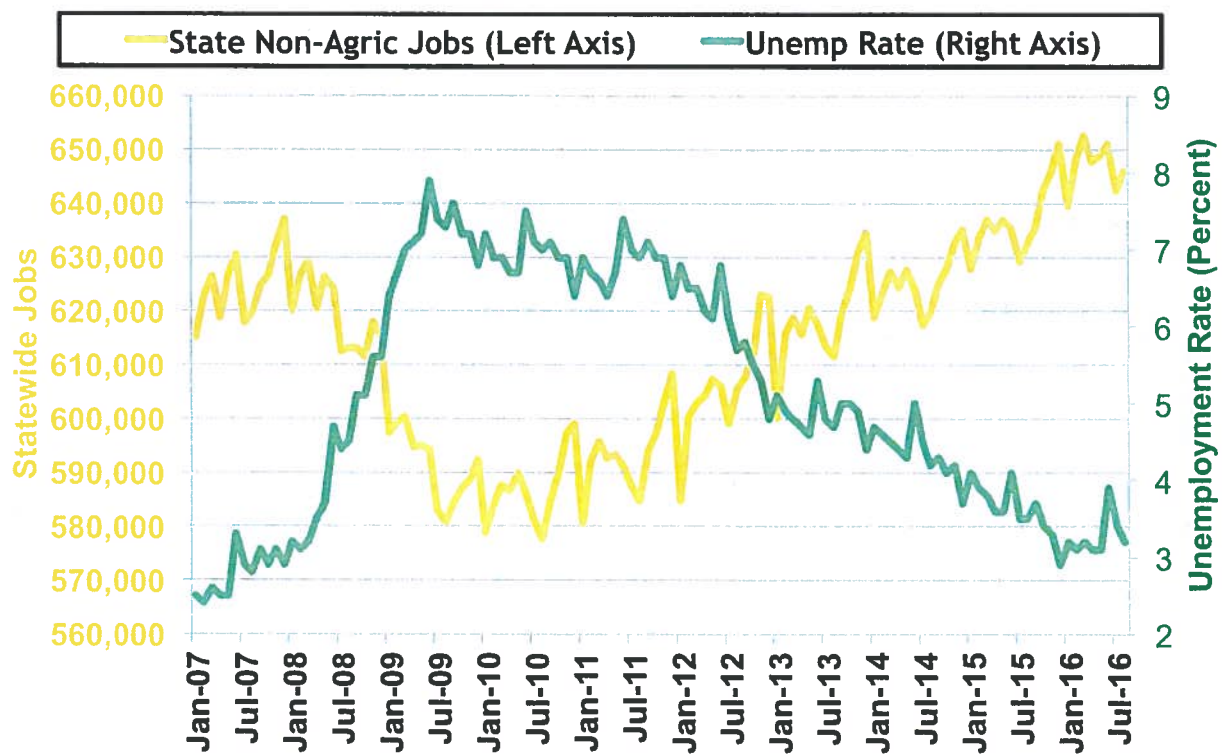


# County Visitor Arrivals



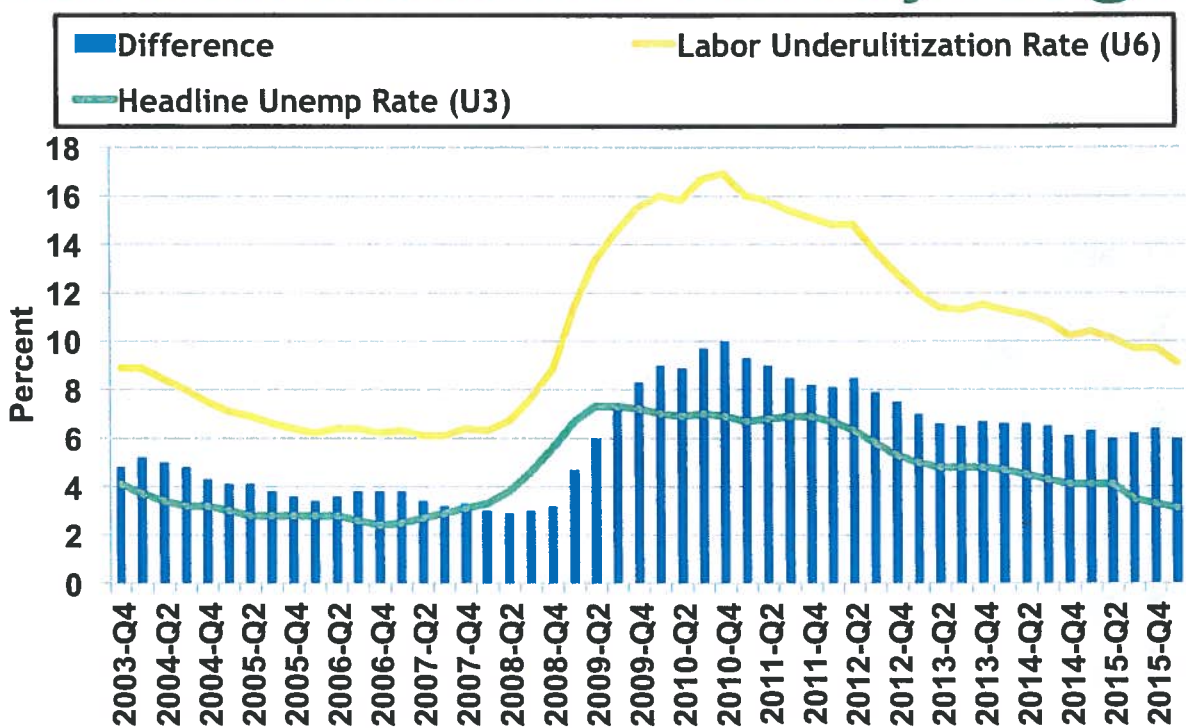
Source: Hawaii Tourism Authority

# State Labor Market Improves



Source: DBEDT & US Dept. of Labor Statistics

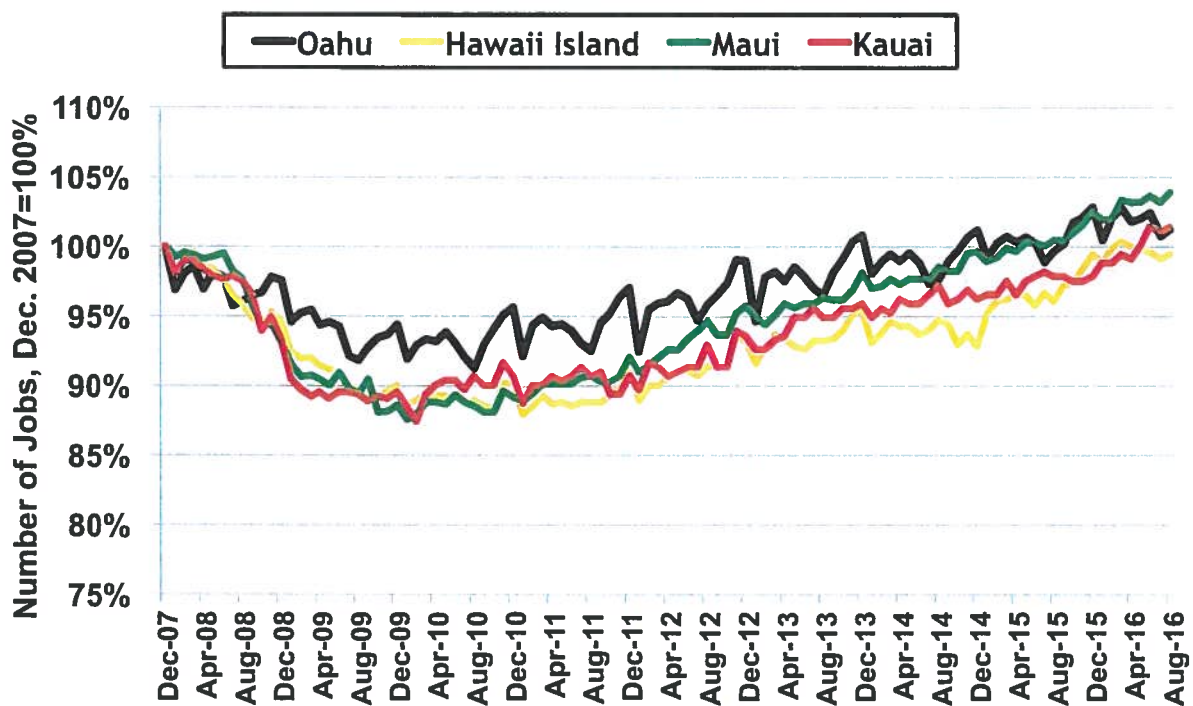
## But Underutilization Stays High



Source: Fed Res Bank

# Job Recovery Uneven Across Counties

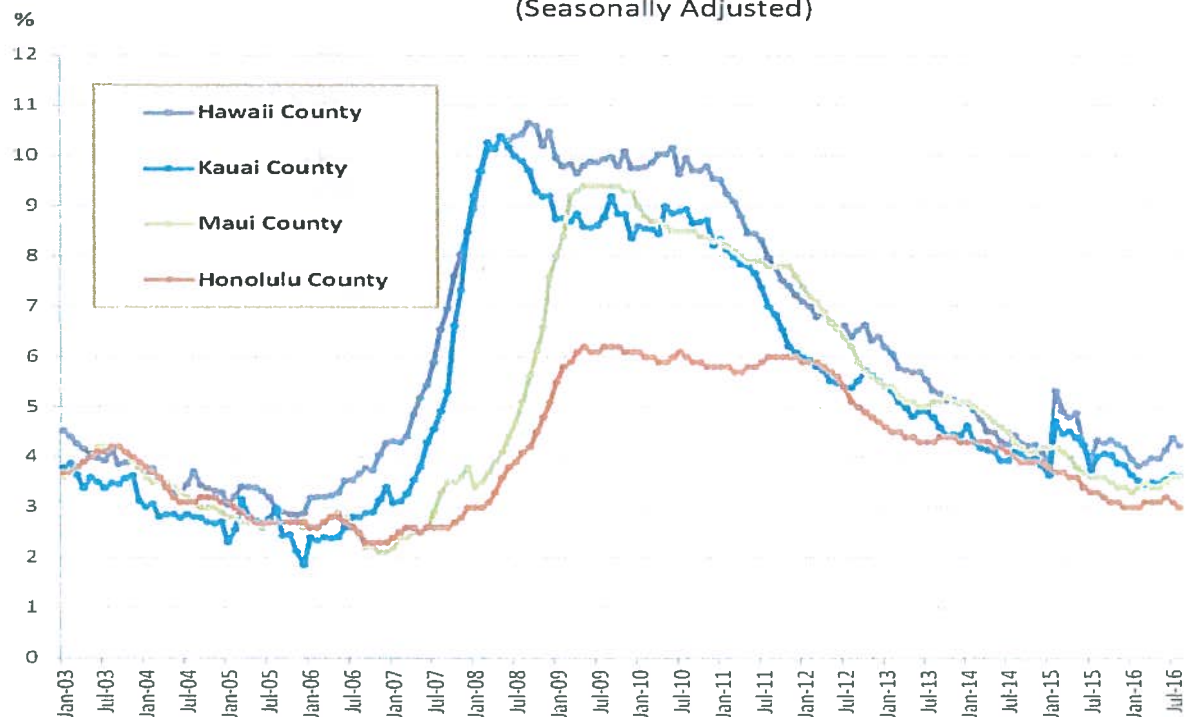
Job Patterns by Counties (indexed change, Dec. 2007=100%)



Source: DBEDT

# Likewise for Unemployment Rate

**Unemployment Rate by County**  
(Seasonally Adjusted)

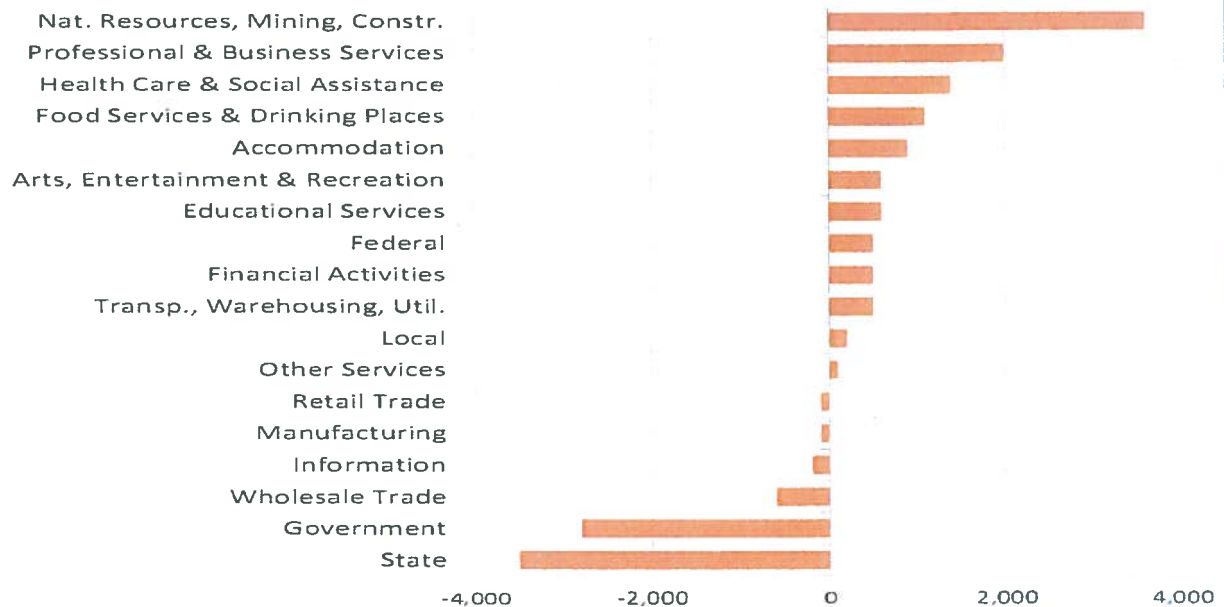


Source: Hawaii Department of Labor & Industrial Relations

Chart by DBEDT

# Job Growth Honolulu

**Change in Jobs from Same Month in Prior Year  
(Honolulu County, August 2016)**

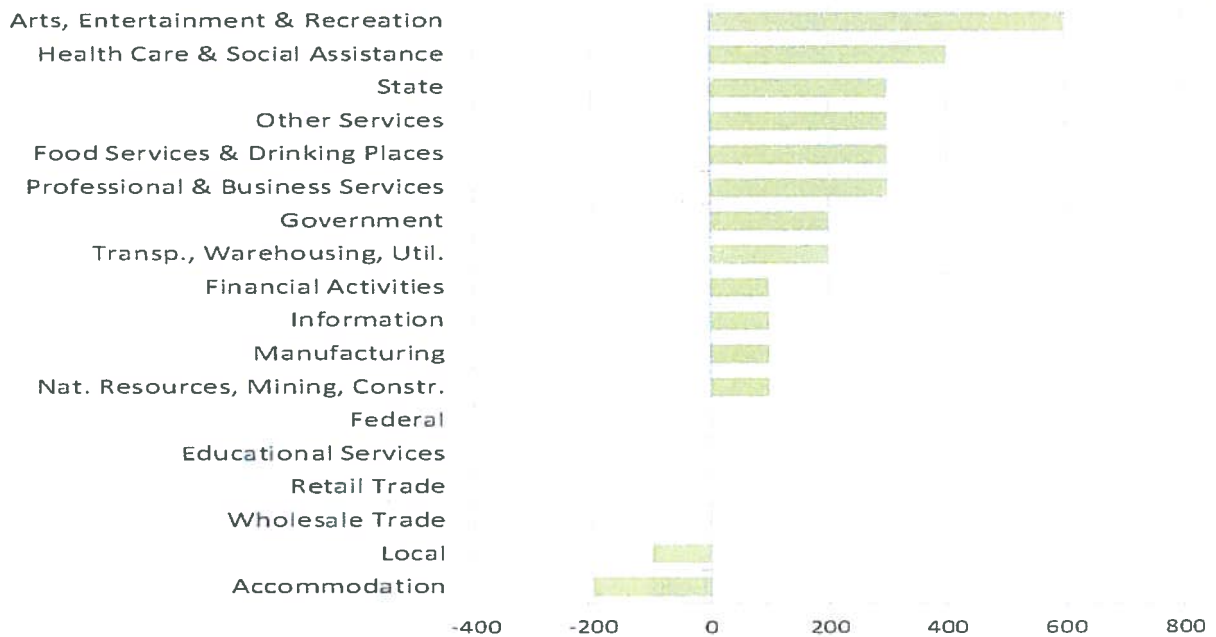


Source: Hawaii Department of Labor & Industrial Relations

Chart by DBEDT

# Job Growth Maui County

**Change in Jobs from Same Month in Prior Year  
(Maui County, August 2016)**



Source: Hawaii Department of Labor & Industrial Relations

Chart by DBEDT

# Job Growth Hawaii Island

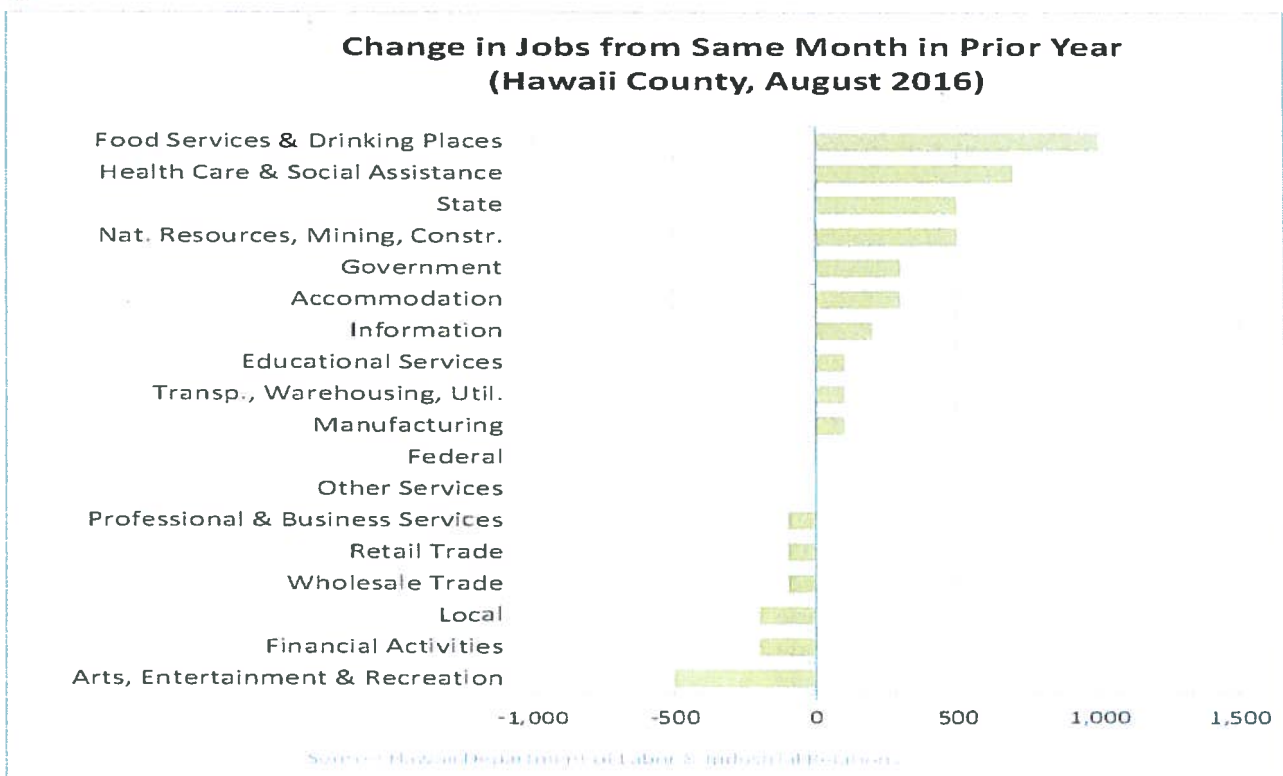
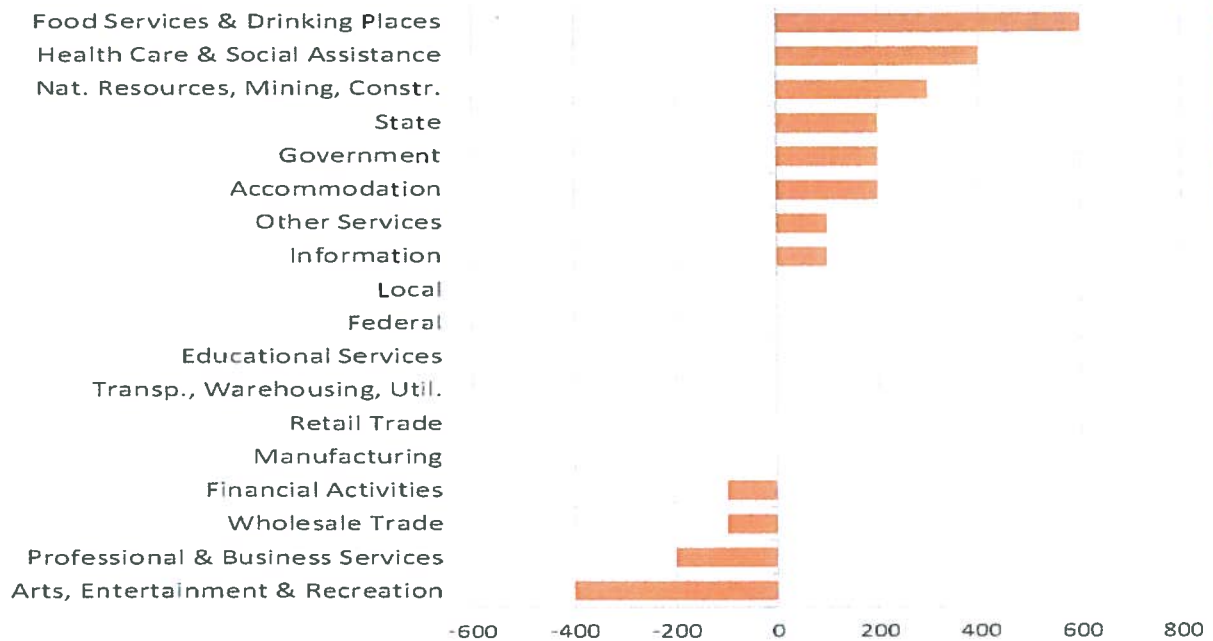


Chart by DBEDT



# Job Growth Kauai

**Change in Jobs from Same Month in Prior Year  
(Kauai County, August 2016)**



Source: Hawaii Department of Labor & Industrial Relations

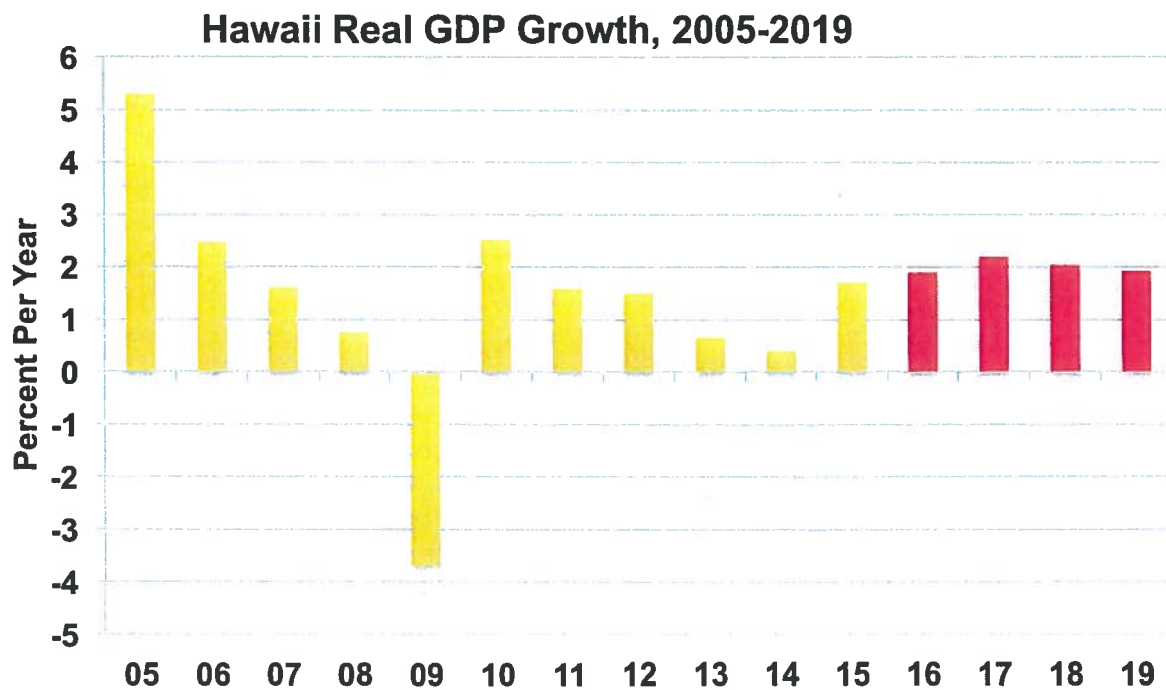
**Chart by DBEDT**

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# Forecasts for Hawaii

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# Council on Revenues GDP Forecast



# Visitor Arrival Forecast

DBEDT Forecasts (3Q 2016) : **Visitor Arrivals**



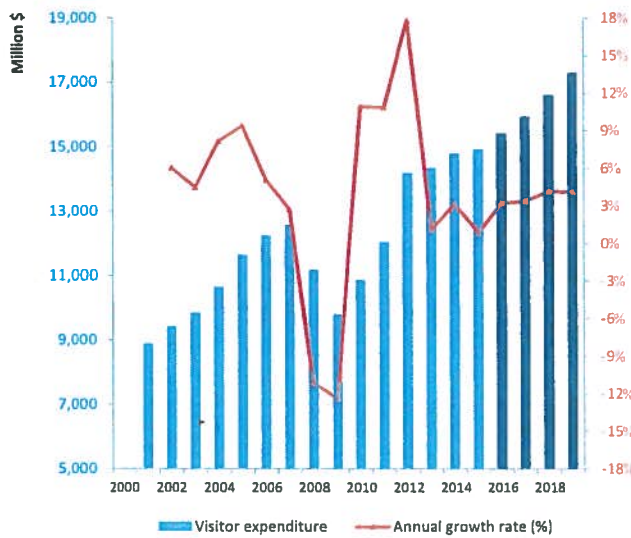
	Air only		Total	
	person	annual growth (%)	person	annual growth (%)
2005	7,416,574	7.3%	7,494,236	7.2%
2006	7,528,105	1.5%	7,628,117	1.8%
2007	7,496,820	-0.4%	7,627,819	0.0%
2008	6,713,436	-10.4%	6,822,912	-10.6%
2009	6,420,448	-4.4%	6,517,054	-4.5%
2010	6,916,894	7.7%	7,018,133	7.7%
2011	7,174,398	3.7%	7,299,048	4.0%
2012	7,867,143	9.7%	8,028,742	10.0%
2013	8,003,474	1.7%	8,174,460	1.8%
2014	8,196,342	2.4%	8,320,785	1.8%
2015	8,563,018	4.5%	8,679,564	4.3%
2016	8,732,583	2.0%	8,844,176	1.9%
2017	8,885,446	1.8%	8,997,040	1.7%
2018	9,044,986	1.8%	9,156,579	1.8%
2019	9,205,102	1.8%	9,316,696	1.7%

Chart by DBEDT

# Visitor Spending Forecast

## DBEDT Forecasts (3Q 2016): Visitor Expenditure

Visitor Expenditure (Air only)



	Air only		Total	
	\$million	annual growth (%)	\$million	annual growth (%)
2005	11,650	9.4%	11,904	9.6%
2006	12,243	5.1%	12,492	4.9%
2007	12,578	2.7%	12,811	2.6%
2008	11,182	-11.1%	11,398	-11.0%
2009	9,794	-12.4%	9,993	-12.3%
2010	10,867	10.9%	11,066	10.7%
2011	12,047	10.9%	12,180	10.1%
2012	14,193	17.8%	14,365	17.9%
2013	14,352	1.1%	14,521	1.1%
2014	14,809	3.2%	14,973	3.1%
2015	14,938	0.9%	15,111	0.9%
2016	15,420	3.2%	15,598	3.2%
2017	15,944	3.4%	16,124	3.4%
2018	16,610	4.2%	16,793	4.1%
2019	17,298	4.1%	17,484	4.1%

Chart by DBEDT

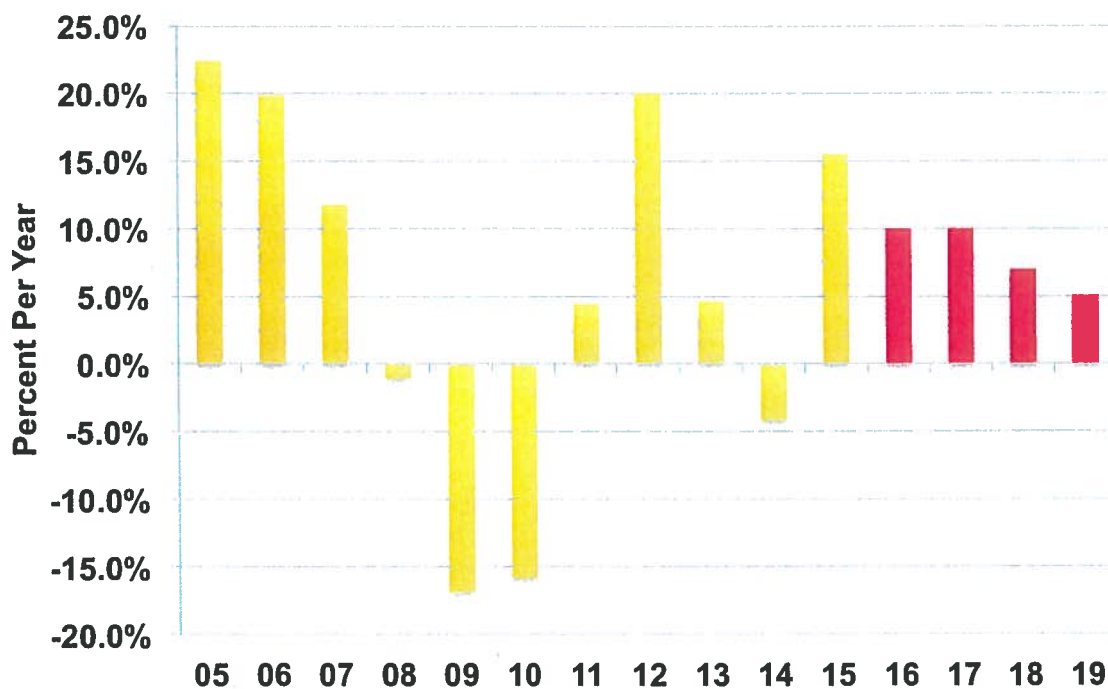
# COR Visitor Forecast

Hawaii Visitor Arrivals and Expenditures, 2005-2019



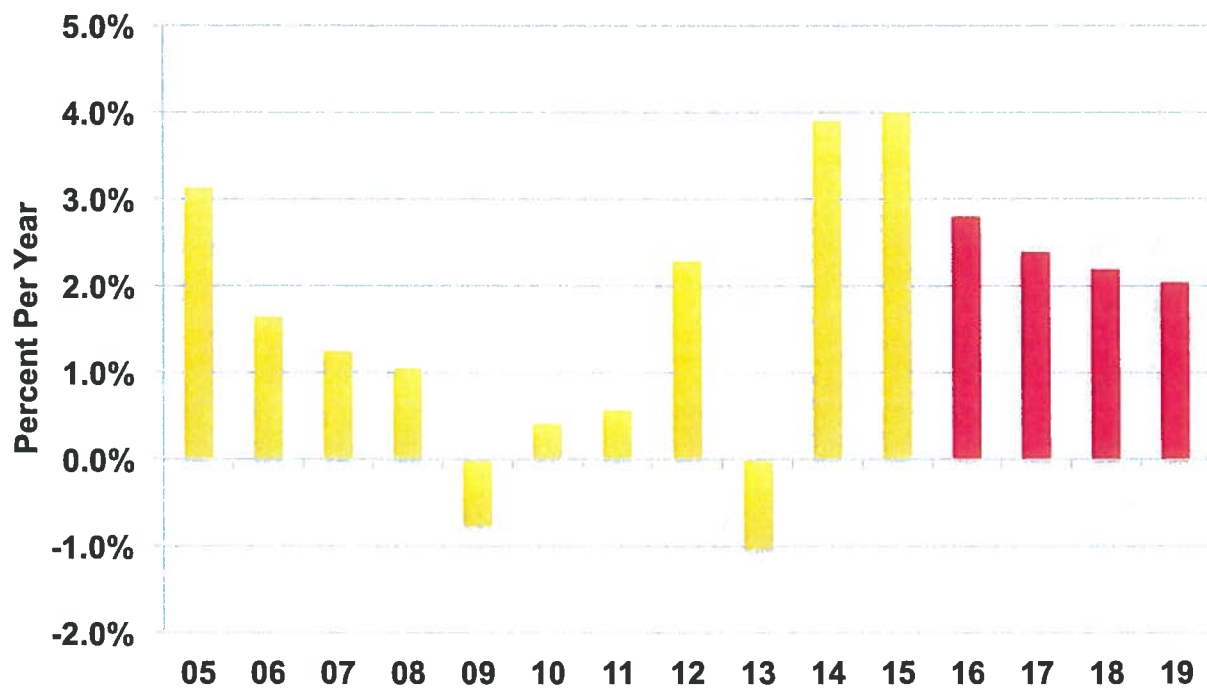
# COR Construction Forecast

Hawaii Construction Completed, 2005-2019



# COR TPI Forecast

Hawaii Real Personal Income, 2005-2019





# Long-range Job Forecast

Figure 1-3. Average Annual Growth of Total Civilian Jobs for the State

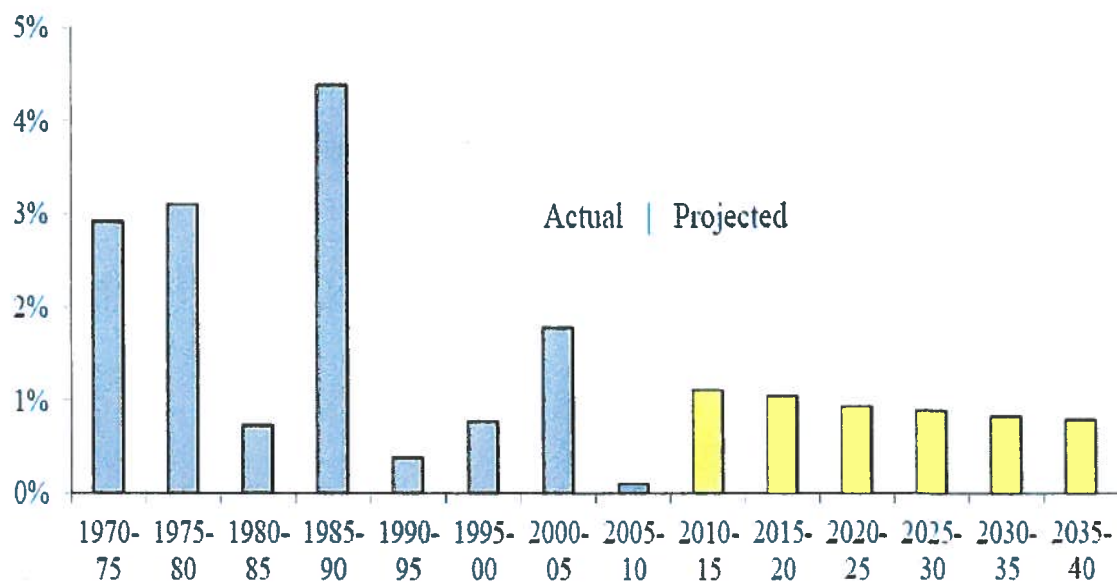


Chart by DBEDT

# Long-range Income Forecast

Figure 1-2. Average Annual Growth of Real Personal Income for the State

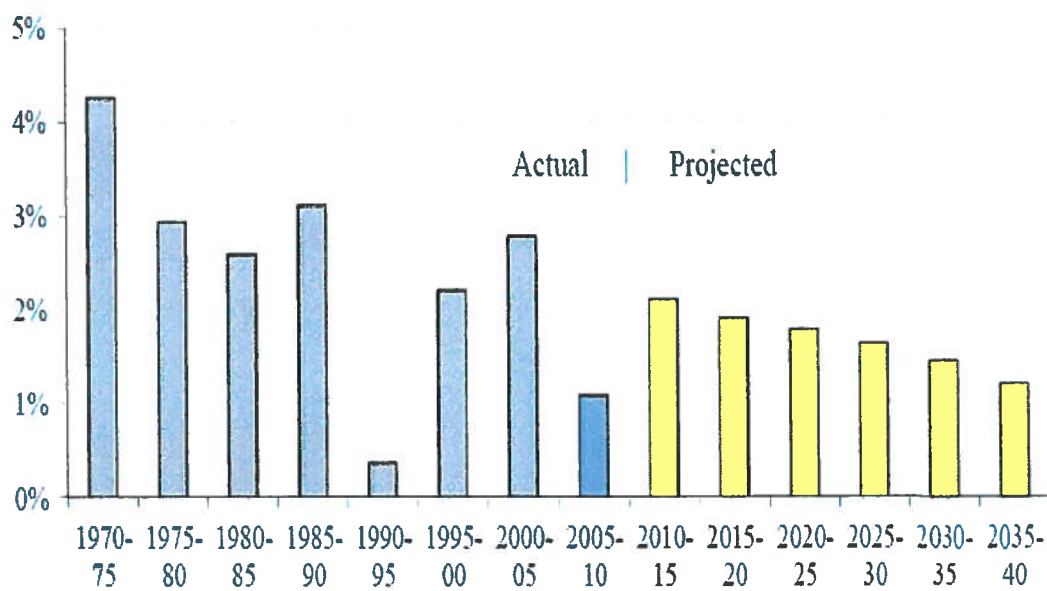
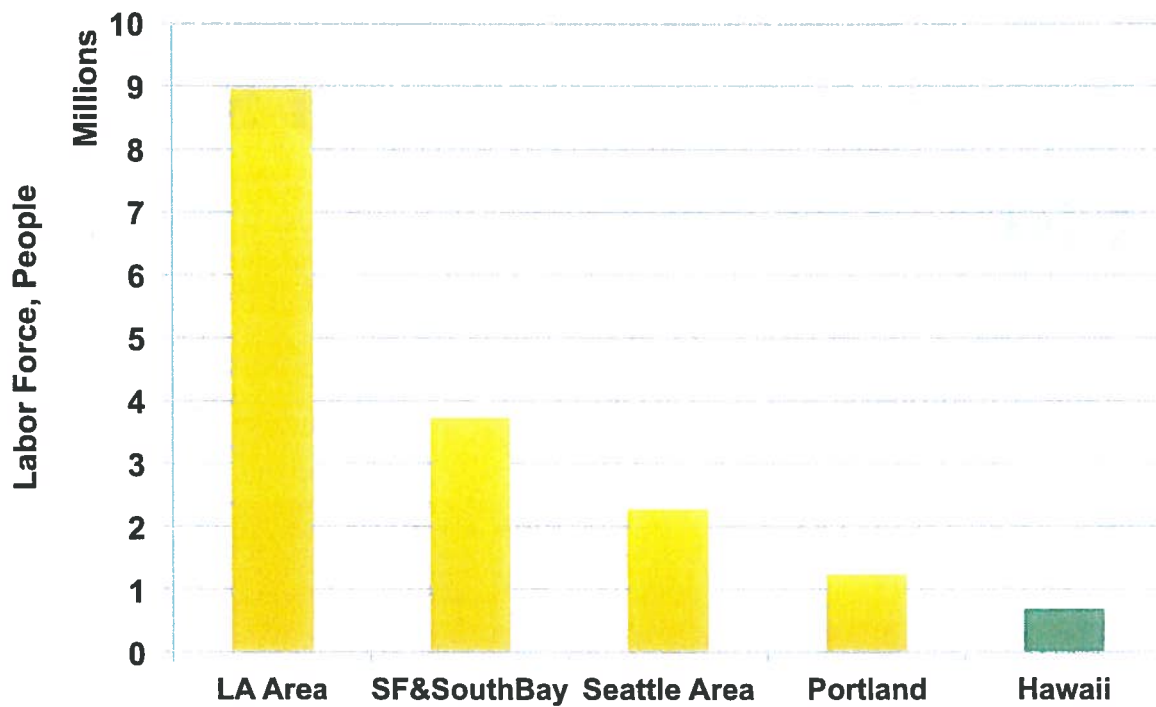


Chart by DBEDT

# Features of Hawaii's Labor Market

# Our “Thin” Labor Market

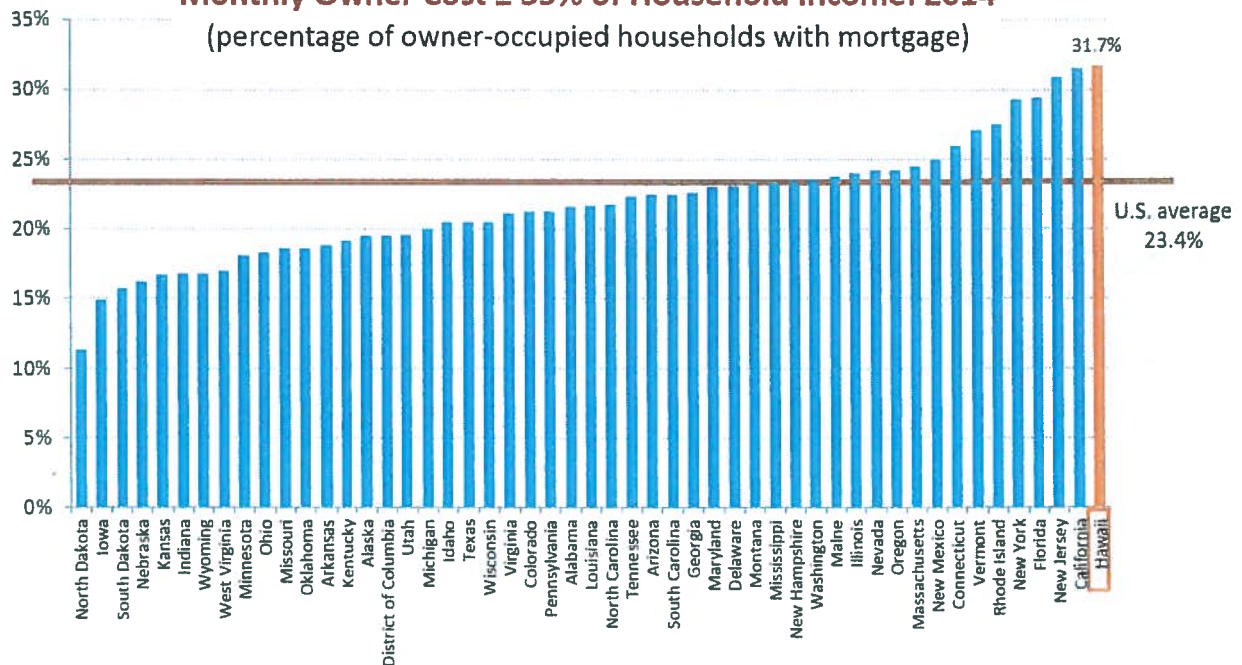
Labor Force In Selected Markets, 2015



Source: US BLS

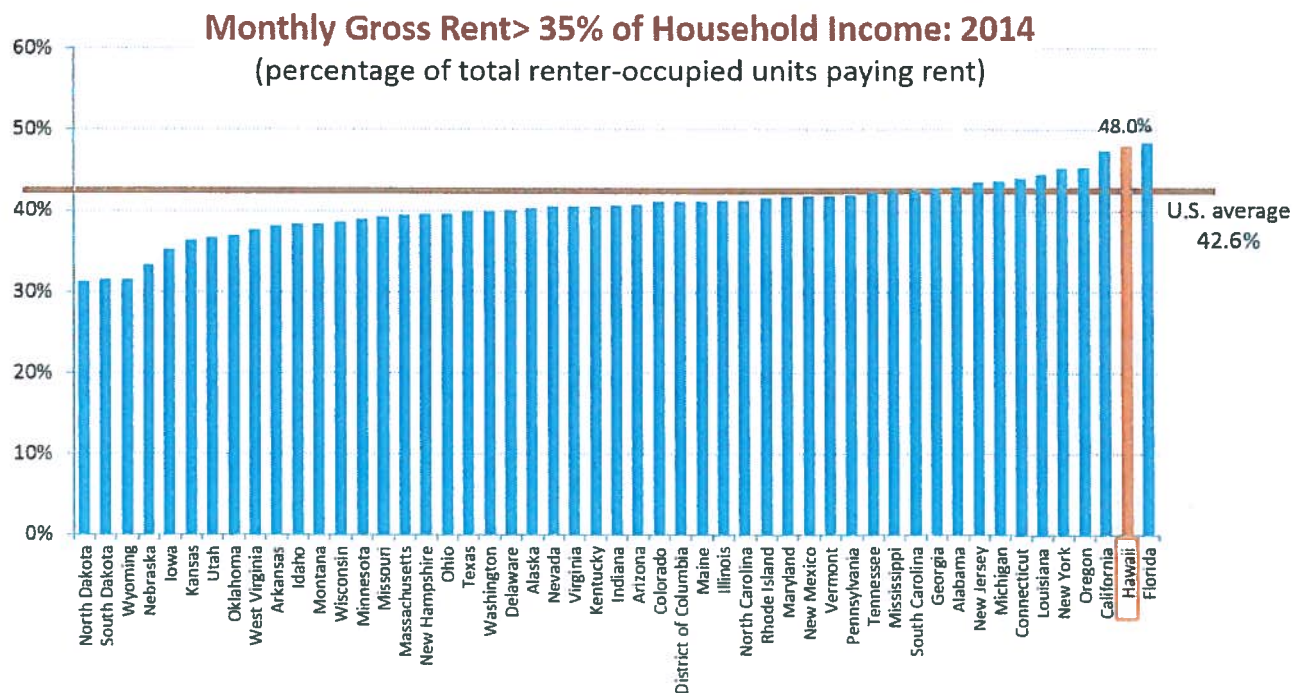
# High Cost of Housing

**Monthly Owner Cost  $\geq$  35% of Household Income: 2014**  
(percentage of owner-occupied households with mortgage)



Source: U.S. Census Bureau, 2014 American Community Survey 1-Year Estimates

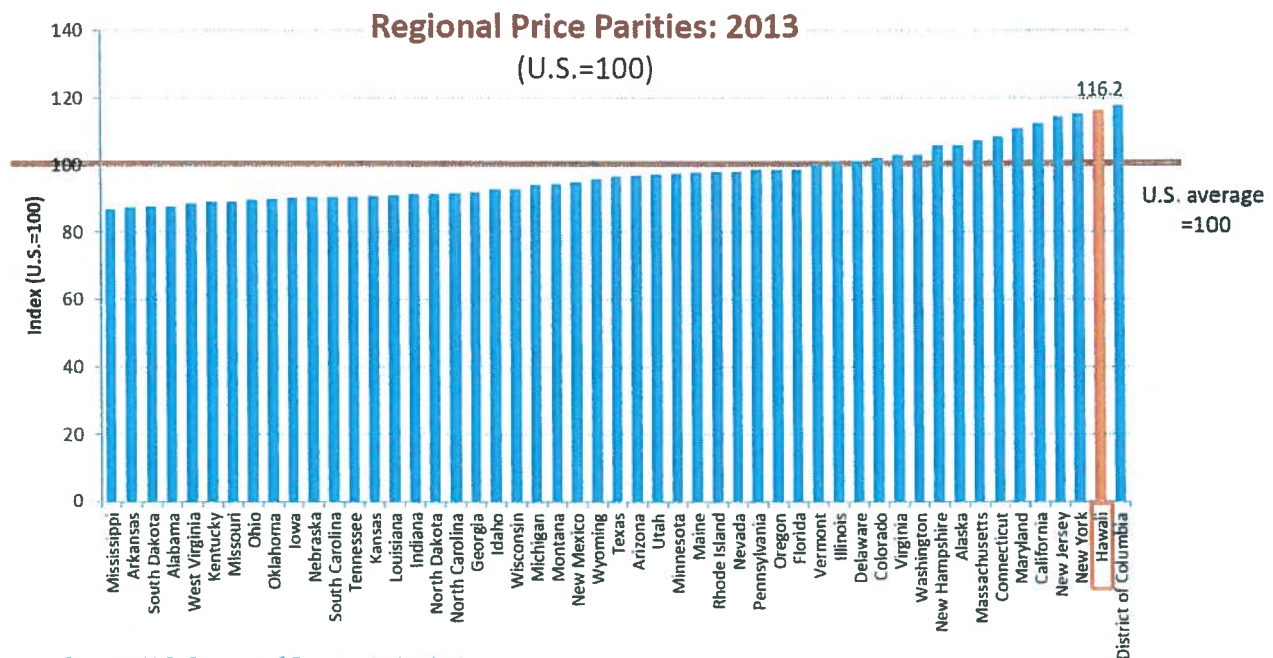
# High Cost of Renting



Source: U.S. Census Bureau, 2014 American Community Survey 1-Year Estimates

Chart by DBEDT

# “We make up for the high cost of living ...”

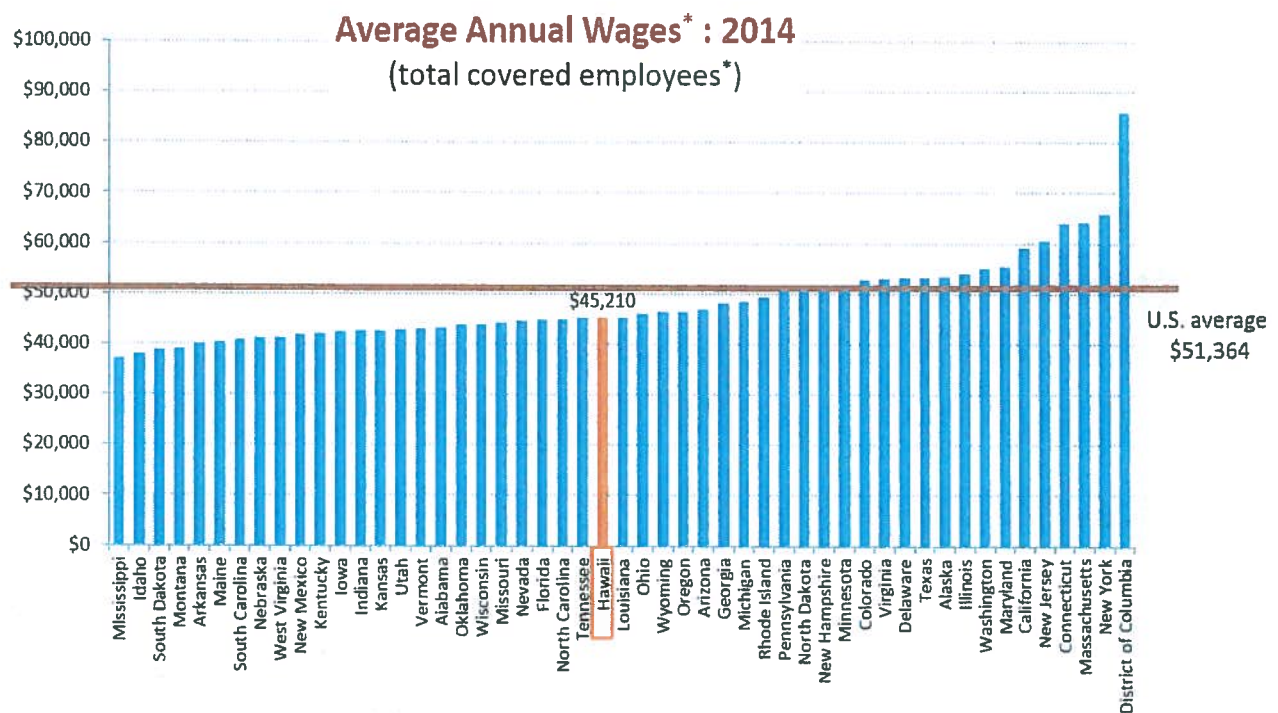


Source: U.S. Bureau of Economic Analysis

Chart by DBEDT



# “...by paying you less.”



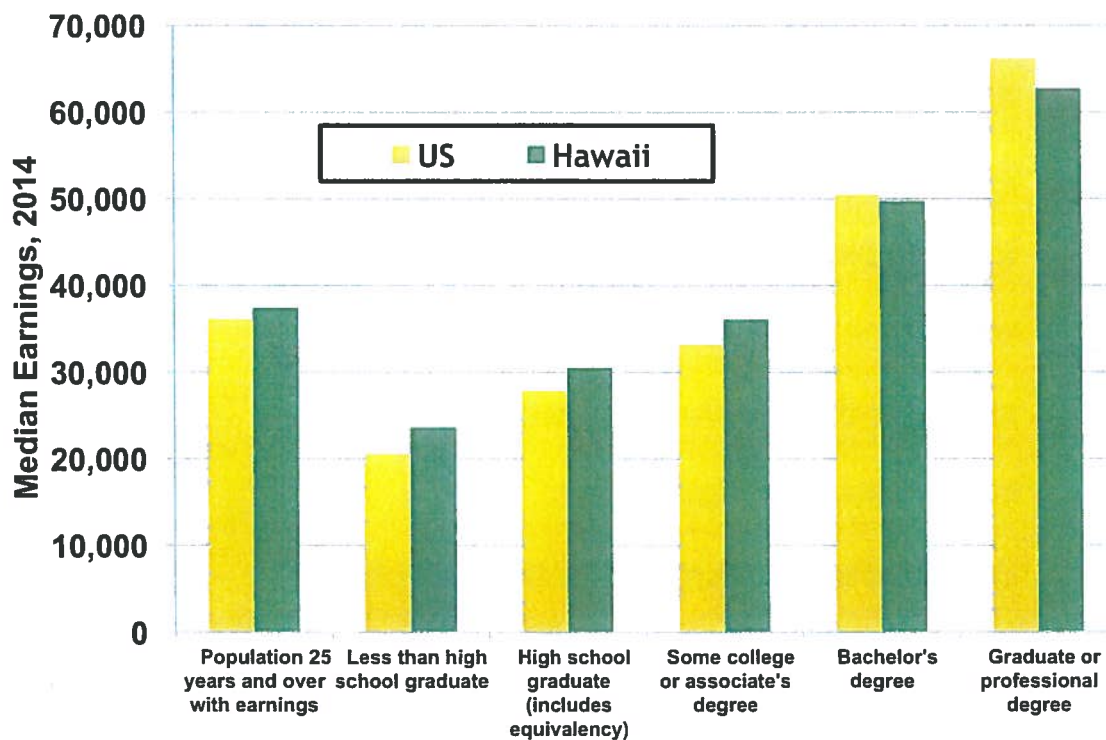
Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Chart by DBEDT



# Rewards for Education?

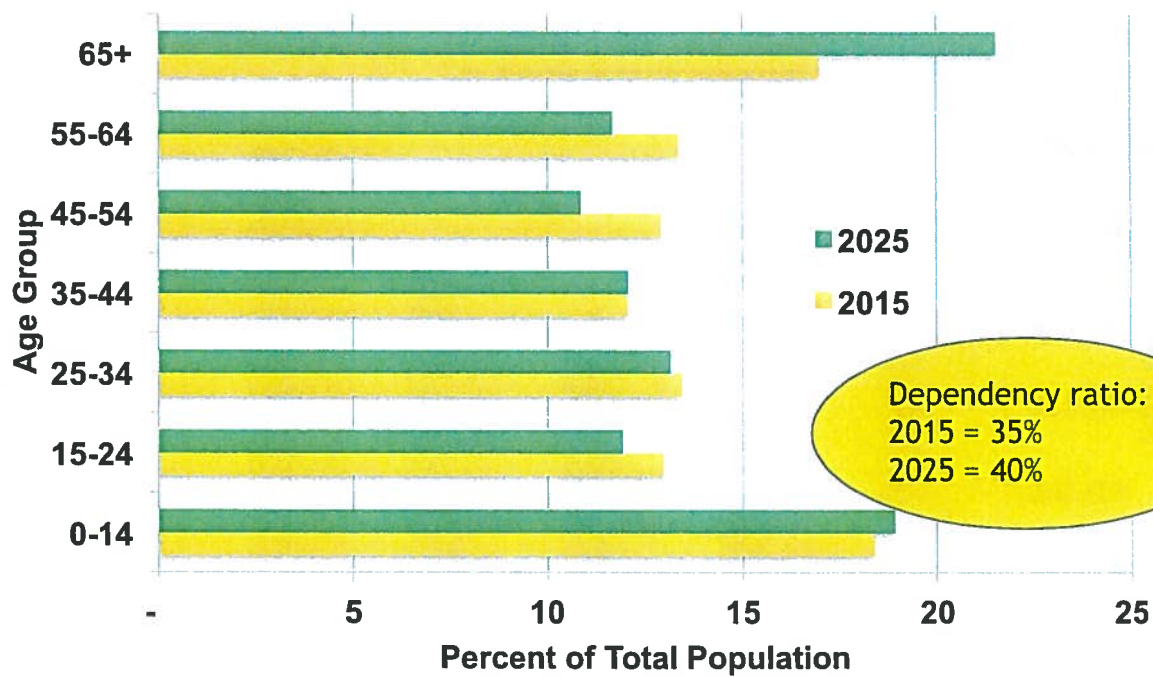
## Earnings in Hawaii Versus US



Source: U.S. Census Bureau,  
2014, American Community  
Survey 33

# Hawaii's Aging Population

Hawaii Population Distribution, 2015 - 2025



# Labor Force Participation Decline

Figure 2-3. Projection of Labor Force Participation Rate by Age Group (BLS)

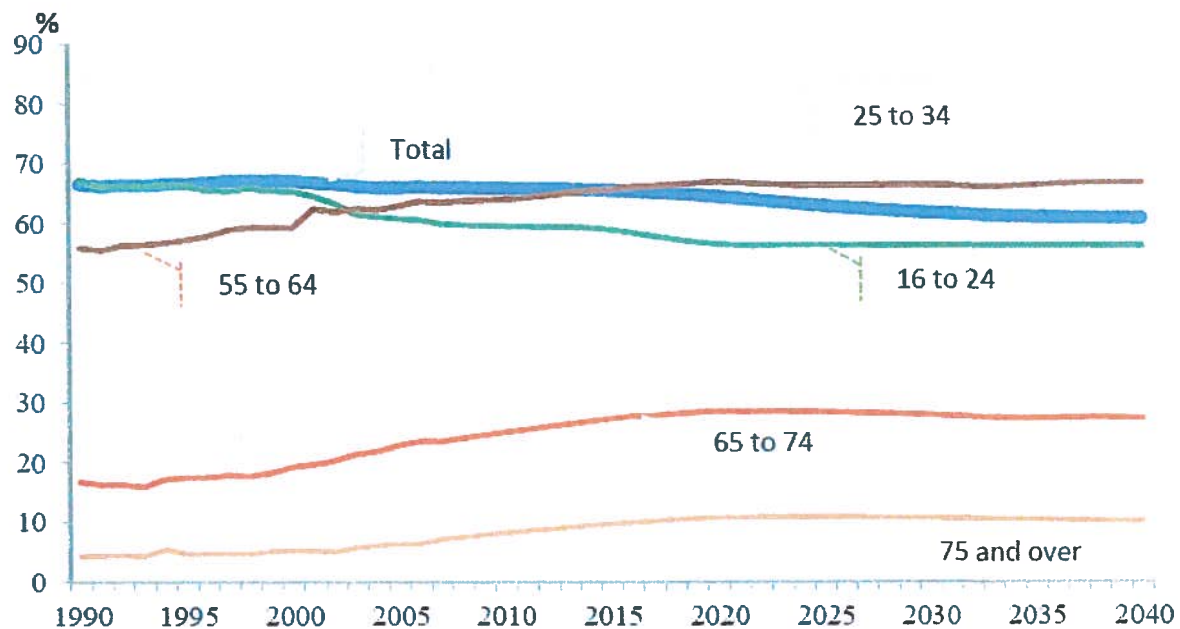


Chart by DBEDT

# Concerns

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# External Risk Factors

- **Labor market shifts**
    - **Role of technology/education**
    - **Income inequality**
  - **Anti-globalization**
    - **Disillusion with free trade**
    - **Resistance to migration**
    - **Brexit**
  - **Political uncertainties**
    - **Declining role of US**
    - **Political hotspots**
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## Internal Risk factors

- **Insular mentality**
    - Focus on self-sufficiency
    - “Brain drain” or “brain gain”?
  - **Uncertainty about Hawaiian sovereignty**
    - TMT and other issues
  - **Debt and unfunded liabilities**
  - **Deciding who we want to be**
    - Singapore or Molokai?
    - Are they mutually exclusive?
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## Unfunded Liabilities: Hawaiian Style

- Unfunded liabilities are **future debts**.
  - Public employee retirement benefits:
    - \$8.2 billion in total (**\$5,236** per Hawaii resident)
  - Public employee retiree health benefits:
    - \$13.6 billion in total (**\$9,973** per Hawaii resident)

Source: Kalbert Young, Dir. of B&F, “Overview of the State’s General Fund Fiscal Condition”, Dec. 2012

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## **Lessons for Labor Market**

- **Uphill battle to expand our job opportunities**
- **To succeed we need to find niches...**
  - ...but which niches?
- **Need policies that**
  - **Are pro-jobs**
  - **Encourage, embrace, and reward change**



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# Thanks. Questions?

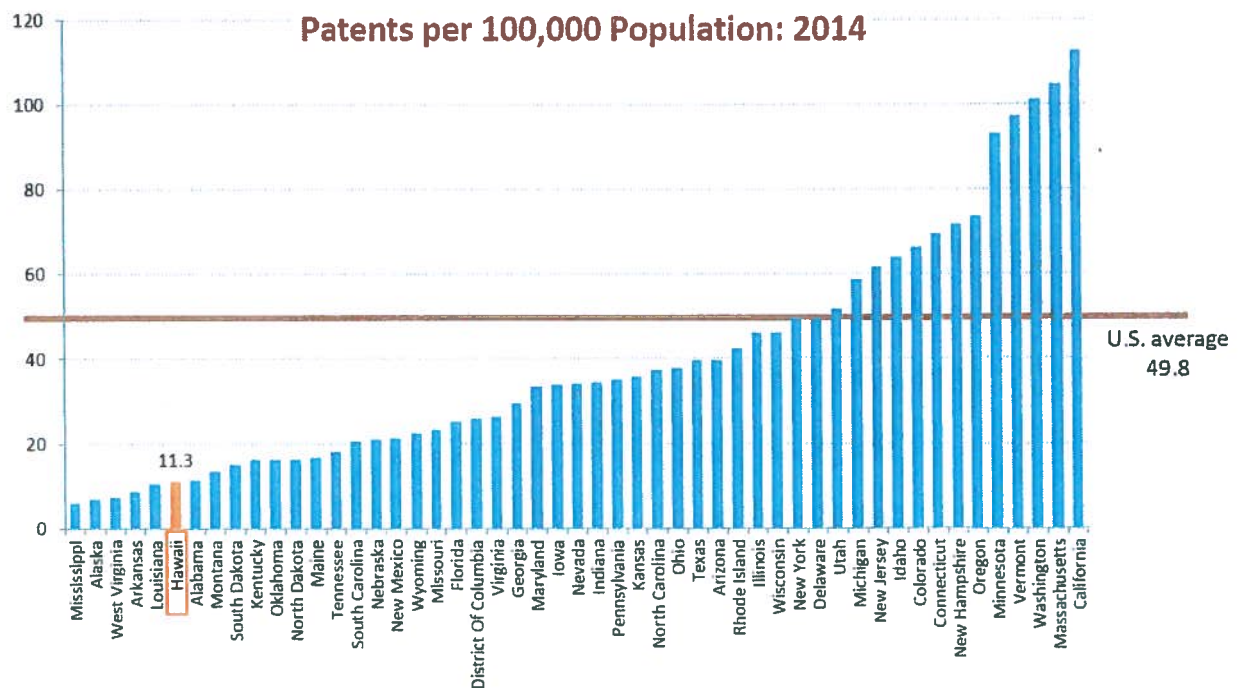
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# Extra slides

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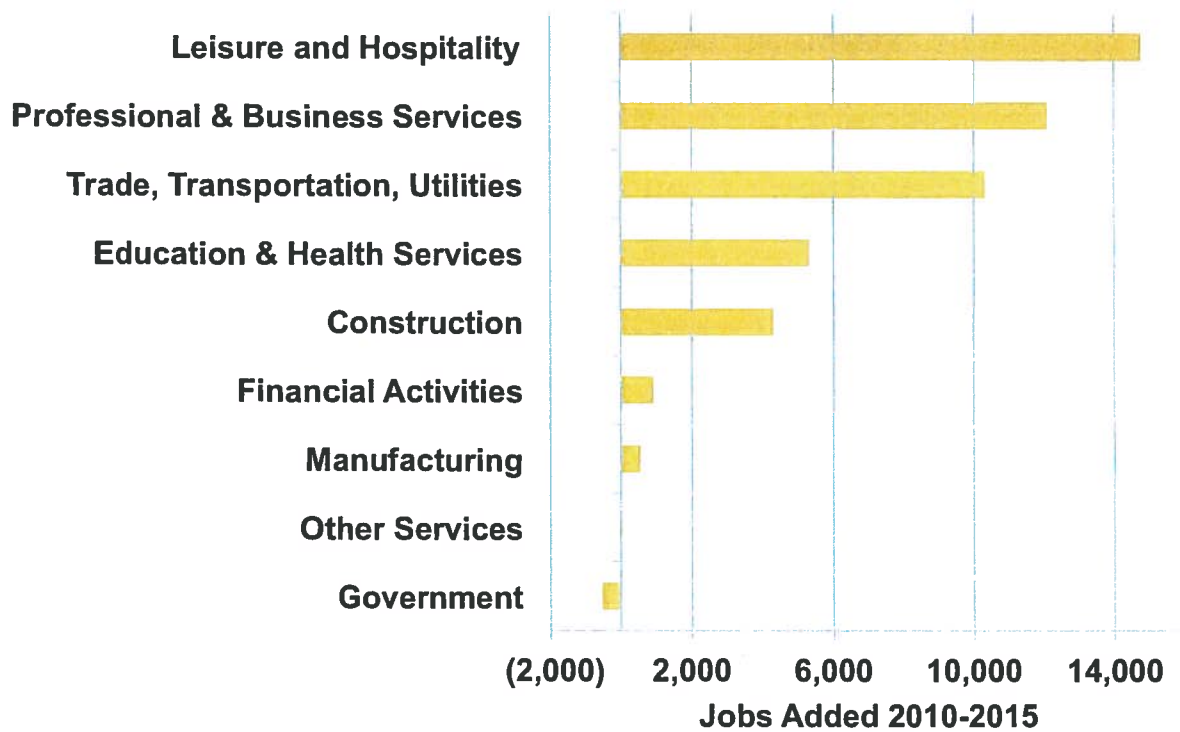
# Upside Potential?



Source: U.S. Patent and Trademark Office (Patent statistics) and U.S. Census Bureau (Population estimates)

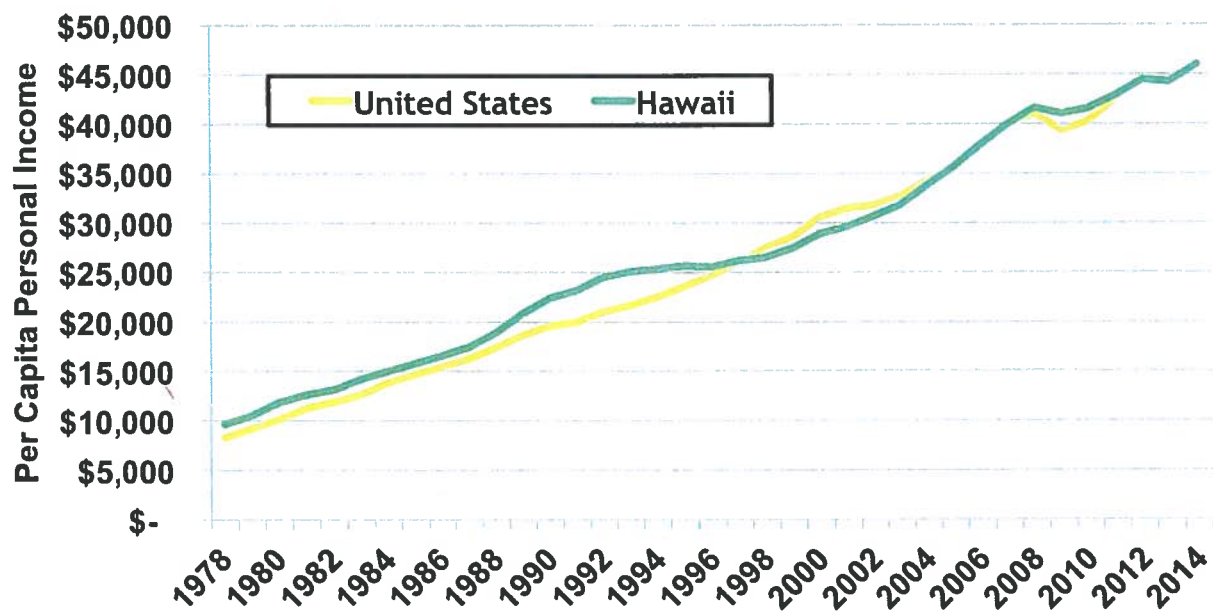
Chart by DBEDT

# Hawaii Job Growth by Sector



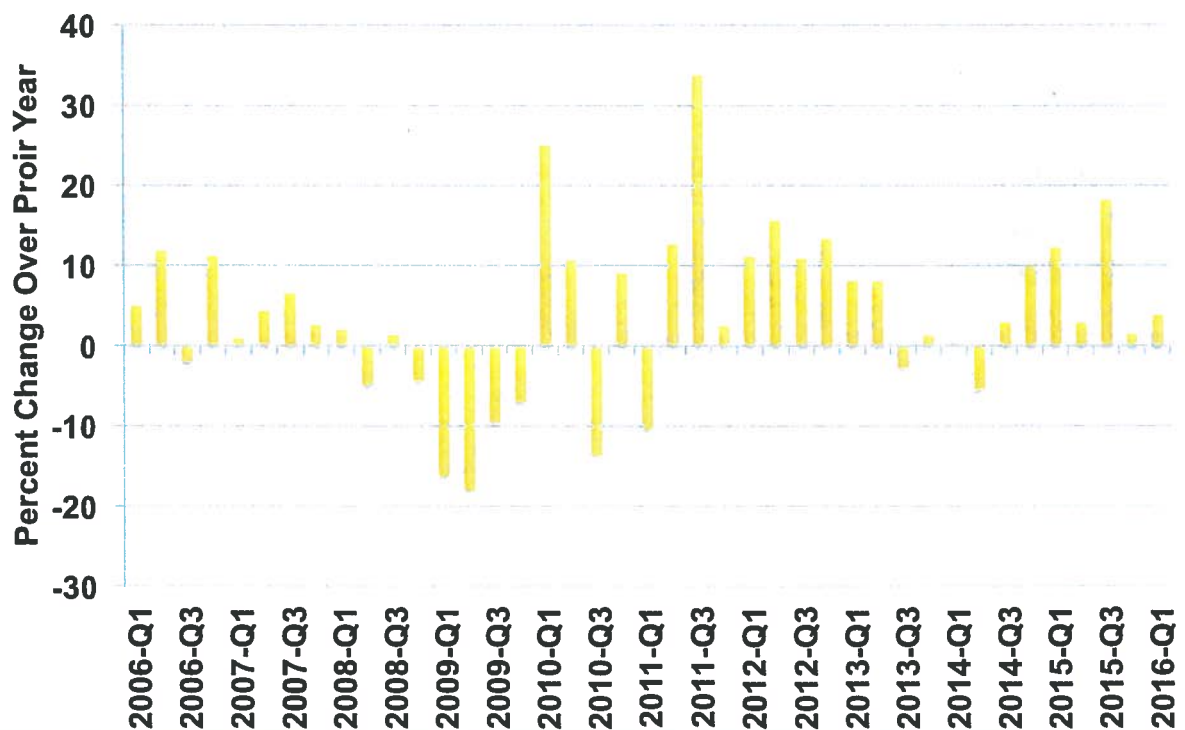
# Hawaii Personal Income

Per Capita Personal Income, US and Hawaii



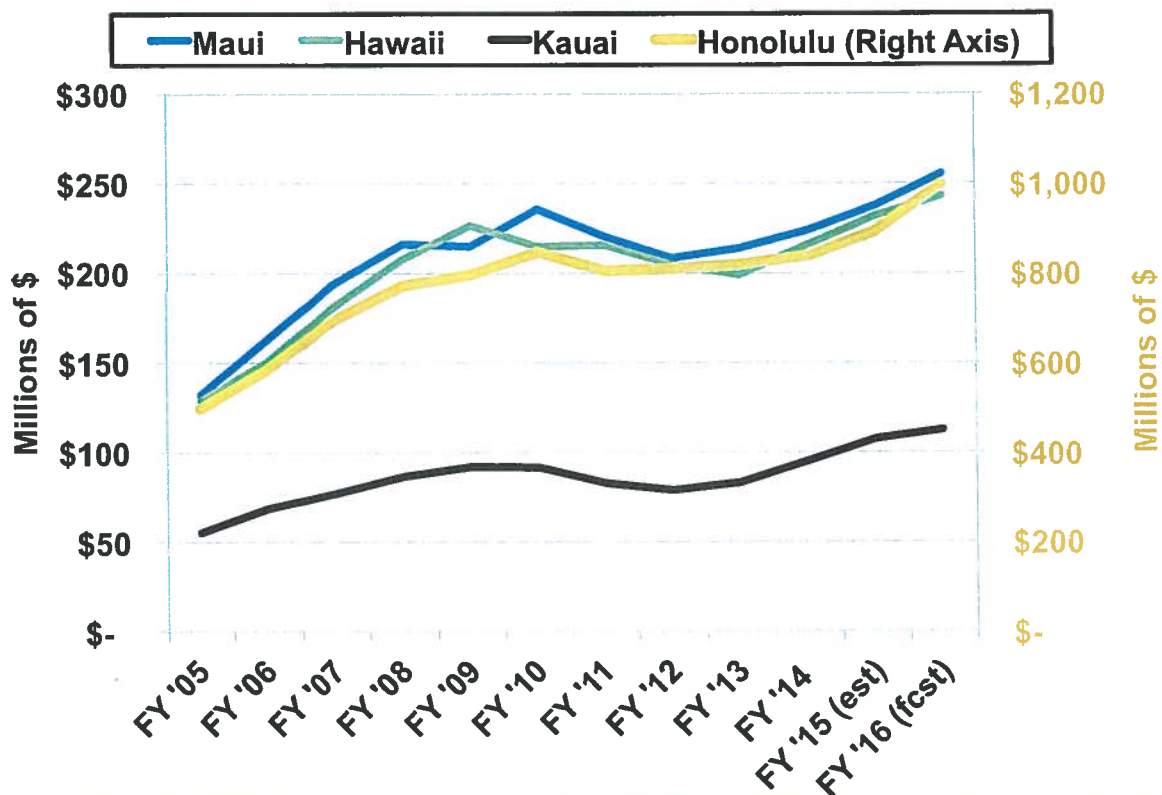
# State Government Revenues Grow

State General Fund Revenue Growth, 2006-16, change from prior year (%)



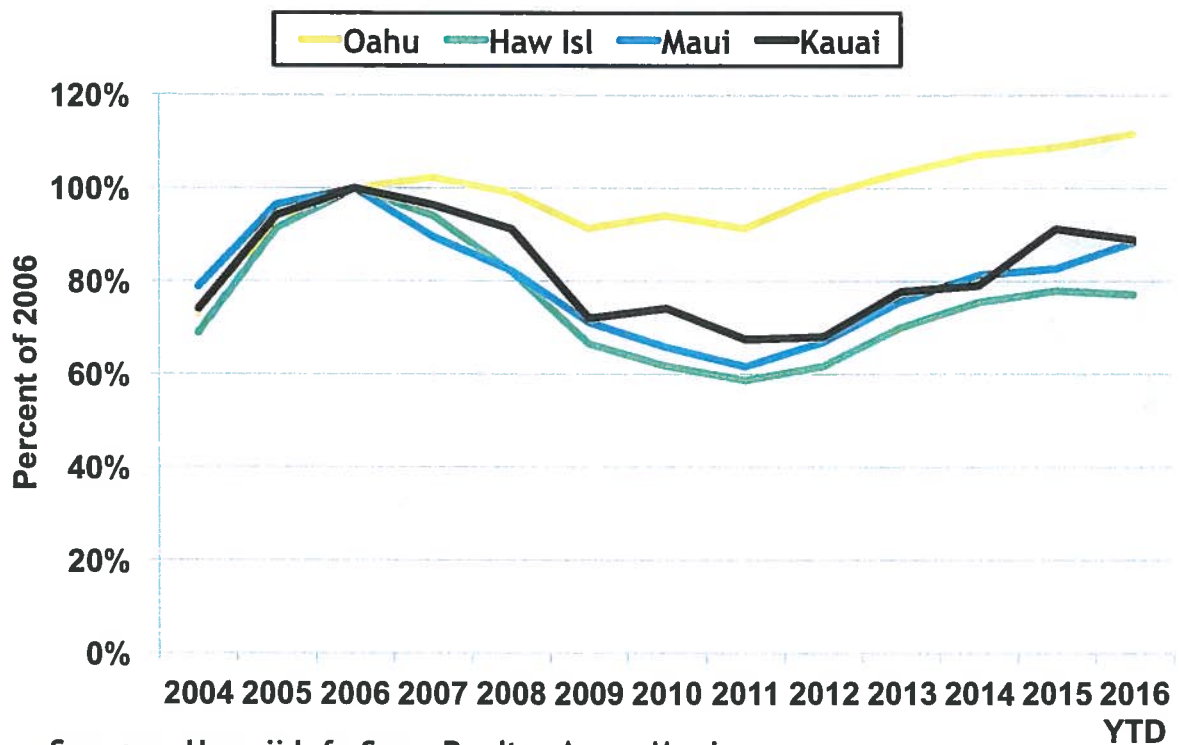
Source: Hawaii State Department of Taxation

## Likewise for Counties



Sources: County annual financial reports

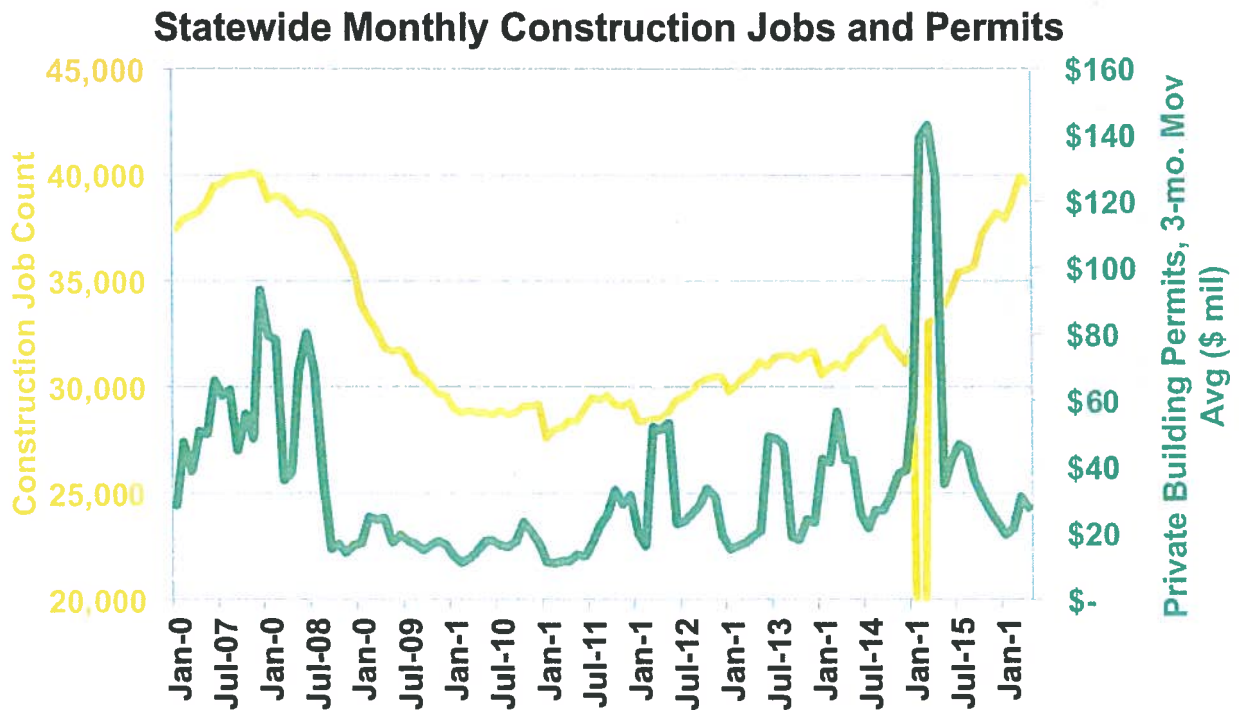
# Real Estate Prices Slow Recovery



Sources: Hawaii Info Serv, Realtor Assoc Maui,  
Honolulu Board of Realtors

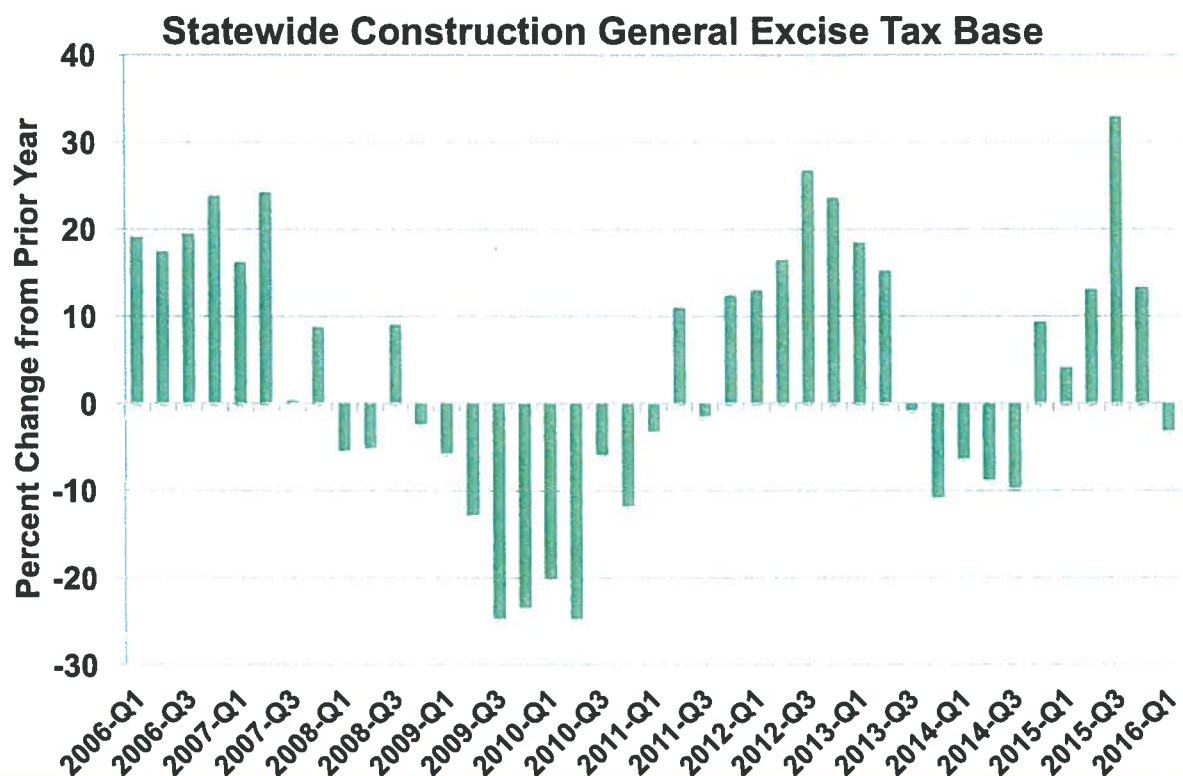


# Construction Sectors Improves



Source: DBEDT

# Completed Construction Grows



Source: Hawaii State Department of Taxation